



## MAYOR AND COUNCIL

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**MEETING NO. 25-18**  
**Friday, August 31, 2018 – 9:30 AM**

### **AGENDA**

Agenda item times are estimates only. Items may be considered at times other than those indicated.

Any person who requires assistance in order to attend a city meeting should call the ADA Coordinator at 240-314-8108.

9:30 AM **1. Convene**

- 2. Authorize the City Manager to Execute an Agreement between the Mayor and Council of Rockville and Montgomery County, Maryland (Herein Referred to as "County") to Participate in the Montgomery County Active Employee Benefit Plan**

9:45 AM **3. Adjournment**

The Mayor and Council Rules and Procedures and Operating Guidelines establish procedures and practices for Mayor and Council meetings, including public hearing procedures. They are available at: <http://www.rockvillemd.gov/mcguidelines>.



Mayor & Council Meeting Date: August 31, 2018  
 Agenda Item Type: Authorization  
 Department: Human Resources  
 Responsible Staff: Karen Marshall

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## Subject

Authorize the City Manager to Execute an Agreement between the Mayor and Council of Rockville and Montgomery County, Maryland (Herein Referred to as "County") to Participate in the Montgomery County Active Employee Benefit Plan

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## Recommendation

Staff recommends that the Mayor and Council authorize the City Manager to execute an Agreement, in a form acceptable to the City Attorney, to participate in Montgomery County's Active Employee Benefit Plan.

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## Discussion

The City Manager established the Health Benefits Advisory Committee (HBAC) in 2017 to engage employees, with support from the Human Resources Department, in a comprehensive review of the City's health benefits. The Committee met regularly between October 2017 and August 2018 to review options for the 2019 plan calendar year and provide recommendations to the City Manager and Director of Human Resources. A summary of their analysis and recommendation is provided in the memo in Attachment A.

The HBAC members included:

- Castor Chasten, CPDS
- Kimberly Francisco, Finance
- Paige Janzen, Recreation and Parks
- Alexandra Kramer, Recreation and Parks (AAME)
- Wei Liu, Information and Technology
- Daniel Morozewicz, Police (FOP) (Alternate, Michelle Trotter)
- Marcus Odorizzi, Human Resources
- Tanya Porter, City Manager's Office
- Patricia Ryan, City Manager's Office – Procurement
- Lise Soukup, Public Works (AAME)
- Clifton Vann, Recreation and Parks (AFSCME)

In addition to briefings with subject matter experts for information gathering, the Committee engaged all city employees in their work through a survey. The survey results and other information gathered contributed to the Committee's assessment and recommendation.

The Committee examined the following options for securing health benefits for City employees for the 2019 plan calendar year. Attachment A summarizes the pros and cons that the Committee identified for each option.

- Join the Local Government Insurance Trust Health Consortium (LGIT Health) through Benecon, LGIT Health's consortium administrator,
- Replace all City plans with Kaiser Permanente (Kaiser) as a single provider option,
- Renew the City's current carriers and plans with Kaiser and Cigna,
- Replace current Cigna plans with those offered by Aetna, and
- Join with Montgomery County as a participating agency to their health plans.

The HBAC recommends that the City of Rockville join with Montgomery County Government for the 2019 health plan year as a participating agency. The City Manager supports the Committee's recommendation.

On August 16, 2018, Montgomery County forwarded to the City their health benefits premium rates for the 2019 plan year; the HBAC met on August 21, 2018 to review the premium rates in addition to the rates associated with the other options considered. The HBAC met with the City Manager on August 23, 2018 to present their recommendation. Due to the County's request to be notified of the City's intent to become a health benefits participating agency, by September 1, 2018, this Mayor and Council meeting is scheduled to authorize the City Manager to execute an agreement with the County.

Upon receiving direction from the Mayor and Council to proceed, the Human Resources Department would continue working closely with the HBAC and Montgomery County on the implementation of this change. This will include preparing a detailed implementation strategy and timeline, as well as executing an Agreement, in a form acceptable to the City Attorney, to participate in the Montgomery County Active Employee Benefit Plan with the start of the 2019 plan year on January 1, 2019.

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## **Mayor and Council History**

This is the first time that the Mayor and Council has discussed the Health Benefit Advisory Committee's work and the option of joining Montgomery County's Active Employee Benefit Plan.

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## **Procurement**

This agreement will be done in accordance with Section 17-72(a) of the Rockville City Code, "Contracting with Public Entities," which states the City may contract directly with other public

entities for goods or services when such goods or services were obtained through competitive procurement procedures. The County has completed a thorough procurement process and the City will ride the County's contract.

Based on the thorough analysis conducted by the HBAC, it has been determined to be in the best interest of the City to join Montgomery County's health plans for calendar year 2019 as a participating agency. The City will receive the best overall value as it relates to favorable premiums, copays and deductibles, and a diverse selection of plan offerings.

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### **Fiscal Impact**

The City budgeted \$5.1 million for fiscal year 2019 employee health benefits. By partnering with Montgomery County, the City anticipates savings for the 2<sup>nd</sup> half of fiscal year 2019; approximately \$258,000 or 5% as compared to the amount budgeted. Additionally, the City anticipates that partnering with Montgomery County will also result in savings in future years. Their large workforce provides them with greater bargaining power and being self-insured allows them to manage their plans' rate increases. Over the last four years, the County has seen average annual health insurance rate increases of 5%, while the City's most popular health plan had average annual rate increases of 19%.

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### **Next Steps**

If the Mayor and Council supports the HBAC and staff recommendation to join the County's health benefit plan, staff will notify Montgomery County of Rockville's intent to participate. Staff will continue working with County personnel on outstanding questions and an implementation plan in preparation for January 1, 2019. The City Manager will also sign an agreement with the County, in a form acceptable to the City Attorney.

### **Attachments**

Attachment 2.a: CM HBAC recommendation (PDF)

**Jenny Kimball**

Jenny Kimball, Deputy City Manager

8/28/2018



## MEMORANDUM

August 24, 2018

TO: Rob DiSpirito, City Manager

FROM: Health Benefits Advisory Committee (HBAC)

SUBJECT: Recommendation for 2019 Health Insurance Plans

In October 2017, the Health Benefits Advisory Committee (HBAC) was formed to comprehensively review the City's health benefits and provide a recommendation to the City Manager and Director of Human Resources on benefit options for the 2019 plan year. This committee includes 11 employees representing various City departments and all three employee groups (AAME, FOP and AFSCME). The HBAC has met regularly to review benchmark data; meet with City brokers, prospective insurance companies, and health benefits consortium providers; evaluate partnership options; and assess plan design and compare plan pricing proposals for the 2019 year. The committee also developed a survey that was sent to staff Citywide to obtain employee input on what factors are most important when electing a health plan. We learned from this survey that the three most crucial factors for staff are: co-pay cost, deductible cost and premium cost.

The options considered by the HBAC included:

- Joining the Local Government Insurance Trust Health Consortium (LGIT Health) through Benecon, LGIT Health's consortium administrators
- Replacement of all City plans with Kaiser Permanente (Kaiser) as a single provider option
- Renewal of the City's current carriers and plans with Kaiser and Cigna
- Replacement of current Cigna plans with those offered by Aetna
- Join with Montgomery County as a participating agency to their health plans

After a thorough evaluation of all options, the HBAC recommends that the City join Montgomery County's health plans for 2019 as a participating agency. These health plans include: Kaiser HMO Plan, Carefirst High Option POS Plan, Carefirst Standard Option POS Plan and the United Healthcare Select HMO Plan. The committee believes that the favorable premiums, copays and deductibles coupled with the diversity of plan offerings will be the most beneficial for the City. For the 4-year period 2015 - 2018 the City saw average annual increases of 19% in its Cigna HRA Plan premiums. The Kaiser HMO Plan premiums had annual average increases of 6%. For the 4-year period 2016 – 2019 the County saw average annual increases of 5% to their health plans and average annual increases of 5% to their prescription plans.

The committee would also like to point out that the County's Kaiser HMO plan includes prescriptions, but that for all other health plans the prescription plan is separate. The committee is recommending that the City contribute to both the health insurance premium and prescription plan premium for employees selecting plans other than Kaiser HMO.

For additional information about the committee's meetings, the employee survey results and assessment of options considered, please see Attachment A.

Concur:

Castor Chasten, CPDS  
 Paige Janzen, Recreation and Parks  
 Wei Liu, Information and Technology  
 Marcus Odorizzi, Human Resources  
 Patricia Ryan, City Manager's Office  
 Clifton Vann, Recreation and Parks (AFSCME)

Kimberly Francisco, Finance  
 Alexandra Kramer, Recreation and Parks (AAME)  
 Daniel Morozewicz, Police (FOP)  
 Tanya Porter, City Manager's Office  
 Lise Soukup, Public Works (AAME)

## HBAC Recommendation Attachment A

**The HBAC group consists of the following employees:**

- Castor Chasten, CPDS
- Kimberly Francisco, Finance
- Paige Janzen, Recreation and Parks
- Alexandra Kramer, Recreation and Parks (AAME)
- Wei Liu, Information and Technology
- Daniel Morozewicz, Police (FOP) (Alternate, Michelle Trotter, Police (FOP))
- Marcus Odorizzi, Human Resources
- Tanya Porter, City Manager's Office
- Patricia Ryan, City Manager's Office – Procurement
- Lise Soukup, Public Works (AAME)
- Clifton Vann, Recreation and Parks (AFSCME)

**Meetings were held on the following dates:**

October 18, 2017 – Kick off meeting with City broker (USI), Human Resources, and City Manager.

January 4, 2018 – Meeting with City broker (USI) and Human Resources.

- Items discussed included:
  - Open enrollment information
  - Benchmark information from USI
  - Fact sheet and survey development for distribution to all employees
  - Discussion of multi-carriers vs. one carrier for health insurance

February 15, 2018 – meeting with Human Resources.

- Items discussed included:
  - Finalize fact sheet and survey and discuss process for distribution to all employees

March 15, 2018 – meeting with Benecon.

- Items discussed included:
  - Benecon's role as a health consortium manager for local municipalities across the country
  - Opportunities for the city to join with the Local Government Insurance Trust (LGIT) as part of the LGIT health consortium for Maryland local government entities

April 26, 2018 – meeting with Karen Bass from Montgomery County Government for a presentation on the County's health benefits

- Items discussed included:
  - The City becoming a participating agency
  - The City going out to bid with the County as part of the agency workgroup, but not becoming a participating agency

July 19, 2018 – Individual presentations by Benecon, on behalf of LGIT Health, and City's broker (USI).

- Items discussed included:
  - Benecon
    - Receive proposal summary and cost illustration
    - Overview of the plan design, buy-in requirements
  - USI
    - Receive group benefits pre-renewal projections

August 1, 2018 – meeting with City broker (USI) and Kaiser representatives

- Items discussed included:

- Kaiser
  - Receive information and proposal for a Kaiser only total replacement of all health plans
- USI
  - Receive updated group benefits pre-renewal projection as well as market results for various options with the current carriers as well as other carriers to do a full takeover or just replace Cigna

August 21, 2018 – meeting with Human Resources staff

- Items discussed included:
  - Review results from survey
  - Review all options presented to the group and create “pros and cons” for each option
  - Discuss all options considered, presentation, survey results and take a vote amongst the committee for a recommendation to the City Manager

### **SURVEY AND RESULTS**

The HBAC, along with Human Resources staff, collectively developed a survey to gather employees opinions regarding current health benefits and gauge their interest in viable alternative options for 2019 and beyond. The final survey consisted of 8 questions and an additional comments section (question 9) and was sent out to all staff on July 20, 2018 with a due date of 5:00 p.m. on Friday, August 3, 2018. A full copy of the survey and results is attached, and the key highlights are below:

- 219 employees responded to the survey, out of 520 overall employees and 386 employees who currently have City health care coverage
- 247 City employees currently have plans with Cigna and 139 with Kaiser
- Union and Crew Supervisor staff were able to complete the survey on paper and City administrative staff entered the results into the online survey system
- The top three factors employees consider when selecting health care provider and plan (question 4)
  - Co-pay cost
  - Deductible cost
  - Premium cost
- The most important option for the City to consider when attempting to keep health care costs manageable for City employees (question 5) is to join with Montgomery County or another jurisdiction for health benefits

### **OPTIONS CONSIDERED**

For the duration of the meetings with the group, many options were provided. In the meeting of August 21, 2018, the following options were discussed at length and a “pros and cons” approach was taken for each. Below are the options considered and pros and cons of each:

#### **Benecon – as administrator of the LGIT Health consortium:**

- Highlights of the plan:
  - Approximately 23 Maryland town and municipal government entities participating
  - Cigna is the health carrier
  - Group Purchasing
  - Rate Development
  - Compliance Resources
  - Data Analytics
  - Health Care Navigation
- Pros and cons of the plan:

- PROS
  - Group purchasing
  - Competitive rates
- CONS
  - Self-insured
  - One carrier
  - City was never given a complete rate proposal

**Kaiser total replacement of all City health plans:**

- Highlights of the plan:
  - “all in one” health care at Kaiser facilities for traditional Kaiser HMO plan
  - Flexibility to go outside Kaiser network with new Kaiser plans
- Pros and cons of the plan:
  - PROS
    - Competitive rates
    - Fully-insured
    - New plans offer employees to go outside of the Kaiser network for physician visits, labs, radiology, etc. to still be completed at Kaiser facility
  - CONS
    - One carrier
    - Locations for employees outside of the immediate DMV area
    - Physician participation in new outside Kaiser network plan

**City broker renewal for 2019 (remaining with Cigna):**

- Highlights of the plan:
  - Plan structure to remain (Cigna, Kaiser, etc.)
- Pros and cons of the plan:
  - PROS
    - Plan structure to remain the same
    - Fully-insured
    - Little to no transition between plan years
    - Wellness to receive \$20,000 from Cigna
  - CONS
    - 8-10% increase in rates
    - HRA plan remains

**City broker renewal for 2019 (Cigna replaced with Aetna):**

- Highlights of the plan:
  - Similar plan design to Cigna
  - Fully insured plan
- Pros and cons of the plan:
  - PROS:
    - Rates 24.5 – 31.8% lower than Cigna
    - Fully-insured
    - Lower deductibles
  - CONS:
    - Human Resources staff concerned with attractive introductory rates to bring the City on the plan and then a substantial increase over the following years
    - Physician network may not be the same as Cigna



- HRA plan remains

### **Joining with Montgomery County**

- Highlights of the plan:
  - Agency Workgroups – Montgomery County Public Schools (MCPS), The Maryland-National Capital Park and Planning Commission (M-NCPPC), The Montgomery County Government, Montgomery College and Washington Suburban Sanitary Commission (WSSC)
  - Current Participating agencies – HOC, Chevy Chase and other local agencies
  - Pricing gained through broker awarded by MCPS RFP 1140.4
  - Approximately 30,000 employees under the health plan
- Pros and Cons of the plan:
  - PROS:
    - Majority of the rates lower than all other plans offered
    - More traditional plan, \$10/\$30 copay for doctor visits
    - Three carriers – CareFirst, Kaiser, and United Healthcare
    - Deductibles/Co-pays negotiated by Montgomery County union, which results in lower amounts than the City's current amounts through Cigna and Kaiser
    - "Fully-insured" plan – Montgomery County treats the City as a fully-insured participant of their self-insured plan. Under this model, the county assumes the risk of claims exceeding the premium paid by the City, and is also responsible for the reserve financing requirements specified by the state.
    - Separate prescription plans
    - Free wellness program
  - CONS:
    - Wellness to lose \$20,000 contribution from Cigna
    - Addition work to transition to new plan and carriers which includes vetting City employees where proof of marriage, children, etc. needs to be submitted to Montgomery County.

### **RECOMMENDATION**

Due to all information, consideration and discussion, the HBAC recommends that the City of Rockville join with Montgomery County Government as a participating agency to their health plans for 2019. Additionally, the committee is recommends the City contribute to both the health insurance premium and prescription plan premium for employees selecting plans other than Kaiser HMO.